

## Message Text

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FOLLOWING REPEAT LONEON 1743 ACTION SECSTATE INFO OECD PARIS  
03 FEB

QUOTE

UNCLAS LONDON 01743

E.O. 11652: N/A

TAGS: ETRD, UK

SUBJECT: ANTI-TRUST: MONOPOLIES COMMISSION TO  
INVESTIGATE WHOLESALE SUPPLY OF GASOLINE

1. THE MONOPOLIES AND MERGERS COMMISSION OF THE OFFICE  
OF FAIR TRADILG (OFT) HAS BEEN ASKED TO INVESTIGATE  
THE RELATIONSHIP BETWEEN THE MAJOR OIL COMPANIES AND  
THE RETAIL OUTLETS. THE COMMISSION WILL EXAMINE  
THREE SPECIFIC PRACTICES: (A) PRICE DISCRIMINATION  
BY THE OIL CMMPANIES BETWEEN RETAILERS; (B) PROMOTIONAL  
SCHEMES INCLUDING TRADING STAMPS; AND (C) SET UP OF NEW  
RETAIL OUTLETS FOR PRODUCTS EITHER BY LICENSING OR  
TENANCY ARRANGEMENTS. THE RETAIL PETROL (GASOLINE)  
MARKET IS DOMINATED BY THREE COMPANIES: SHELL, BP AND  
ESSO (A SUBSIDIARY OF EXXON) WHICH HAVE ABOUT 55 PER  
CENT OF SALES.

2. THIS IS THE SECOND TIME IN 16 YEARS THAT OIL COM-  
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PANIES' ACTIVITIES HAVE BEEN REFERRED TO THE MONOPOLIES

COMMISSION. IN 1965 AFTER 5 YEARS OF STUDY THE COMMISSION MADE WIDERANGING RECOMMENDATIONS LIMITING THE EXTENT TO WHICH THE OIL COMPANIES COULD FURTHER THEIR INTERESTS IN THE RETAIL MARKET AND LIMITING THEIR ABILITY TO PUT CONDITIONS ON TENANCY ARRANGEMENTS. THESE WERE REVIEWED IN 1968 AND AGAIN IN 1974. THE PROBLEM WITH THE REVIEWS OF THE 1965 REPORT WAS THAT THEY WERE LIMITED TO THE SCOPE OF THE OLD REFERENCE WHICH EXCLUDED TRADING STAMPS AND THEY DID NOT TAKE FULL ACCOUNT OF CHANGED CONDITIONS IN THE MARKETPLACE. BECAUSE OF THIS AND THE RECENT OUTBREAK OF A GASOLINE PRICE WAR, THE PETROLEUM RETAILERS ASSOCIATION HAS BEEN ACTIVELY LOBBYING THE OFT TO REOPEN ITS INVESTIGATIONS. THE ASSOCIATION'S CONCERN IS BASED ON THE CHANGING STRUCTURE OF THE UK MARKET. IN 1965 COMPANY-OWNED STATIONS ACCOUNTED FOR ONLY 14 PER CENT OF ALL GASOLINE STATIONS. THEY NOW ACCOUNT FOR 28 PER CENT AND SELL OVER 50 PER CENT OF THE GASOLINE SOLD IN THE UK. UNFORTUNATELY FOR THE ASSOCIATION THE STUDY WILL NOT BE COMPLETED UNTIL 1978 SO IT WILL HAVE LITTLE IMPACT ON THEIR IMMEDIATE PROBLEMS.

3. FYI URDER THE 1973 FAIR TRADING ACT A MONOPOLY SITUATION EXISTS WHERE EITHER ONE COMPANY HAS AT LEAST ONE-QUARTER OF THE MARKET OR WHERE TWO OR MORE COMPANIES ACCOUNTING FOR AT LEAST A QUARTER OF THE TOTAL UK MARKET CONDUCT THEIR AFFAIRS SO AS TO PREVENT OR DISTORT COMPETITION BETWEEN THEMSELVES OR BETWEEN THEIR CUSTOMERS. END FYI.

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